

## **Universal Service Reform Act of 2006**

### **Section-By-Section Description**

**Section 1:** Establishes the short title as the “Universal Service Reform Act of 2005.”

**Section 2:** Includes the draft’s findings and purposes.

The findings include that the current mechanisms used to collect and distribute universal service support are not sustainable; providing unlimited universal service support to multiple competing providers in the same service area results in an excessive demand for universal service support; universal service support mechanisms should be explicit and should increase the availability of broadband services; and support should be collected from a broad base of service providers in a more competitively and technologically neutral manner.

The purposes include ensuring that communications and broadband services are made available throughout the United States, extending the cap on the high cost support fund distributed to rural local exchange carriers to the entire high cost support fund, broadening the contribution base of the fund in a competitively neutral manner, strengthening the criteria for eligible recipients of universal service support and making broadband services and facilities eligible for universal service support.

**Section 3:** Defines a “communications service provider” as any entity that: (1) currently pays into the universal service fund (e.g., local exchange service and long distance providers); (2) uses telephone numbers or IP addresses, or their functional successors or equivalents, to offer real-time, two-way voice communications in which the voice component is the primary function (e.g., cable telephony and VoIP providers) or (3) offers a network connection for a fee to the public (e.g., DSL, cable modem, WiMax and broadband over powerline providers).

Defines “high speed broadband service” as a two-way network that uses Internet protocol or a successor protocol to enable end users to receive communications, including voice, data, video or any other form, in Internet protocol format at a download receiving rate of at least one megabit per second. The FCC is directed to review the one megabit per second speed requirement every other year beginning the sixth year after the date of enactment and to make adjustments to move to higher speeds as deployment and advancement of new technology allows communications service providers to provide higher broadband speeds to end users in an economically efficient manner.

**Section 4:** Directs the Federal-State Joint Board on Universal Service and the FCC to initiate proceedings to implement the Act. The Joint Board must make

recommendations to the FCC within 9 months after the date of enactment and must complete a proceeding within 18 months after the date of enactment.

Directs the Joint Board and the FCC to base policies for the preservation and advancement of universal service on the principles that quality services be available at just, reasonable and affordable rates; access to telecommunications, advanced telecommunications and information services should be available throughout the United States at reasonably comparable rates; all communications service providers should make equitable contributions to the universal service fund and elementary and secondary schools and classrooms, health care providers and libraries should have access to advanced telecommunications services supported by a separate fund.

Defines universal service as the services defined as universal services as of the date of enactment plus high speed broadband services and an evolving level of telecommunications and information services to be identified by the FCC. Directs the Joint Board to review the list of universal services at least once every five years.

Directs the FCC to determine whether to use a contribution methodology based on revenues, working telephone numbers or a combination of the two. If the FCC opts for a revenues approach, it may assess contributions based on revenues derived from a communications service provider's provision of intrastate, interstate and foreign communications services.

Requires the FCC to establish annual reporting requirements for all communications service providers contributing to universal service support mechanisms or receiving universal service support.

Extends the cap which currently applies to high-cost support for rural local exchange carriers to all universal service support programs other than programs supporting schools, libraries, rural health care, lifeline, link-up and toll limitation service. Sets the cap at the amount collected for all universal service support programs other than programs supporting schools, libraries, rural health care, lifeline, link-up and toll limitation service in the year prior to enactment of the Act plus the amount that the switch to wire center averaging and elimination of the parent trap increase demand for universal service support. Raises the cap annually based on a growth factor—the annual percentage change in the total number of rural local exchange carrier working loops, if that number is positive, plus the annual percentage change in the Gross Domestic Product-Chained Price Index. Provides for an upward adjustment to the cap if the FCC revises the intercarrier compensation regime and shifts some or all of access charge recovery into the universal service fund.

Allows universal service fund recipients to use universal service support to fund the deployment of high-speed broadband services.

Reimburses universal service fund recipients (eligible telecommunications carriers) based on their actual costs, exclusive of the cost of acquiring spectrum, except

that a price capped provider that is regulated on a forward looking cost basis for all services other than universal service fund contributions may opt to have the FCC also calculate its universal service fund contributions on a forward looking cost basis.

Changes the calculation methodology for the non-rural high cost carrier portion of the fund from geographic to wire center averaging while ensuring that no provider will receive less funding after enactment than it is receiving under the current methodology.

Requires telecommunications carriers to identify all traffic which originates on their networks so carriers that terminate traffic can seek appropriate intercarrier compensation.

Provides that, except for the changes to the rural health care support mechanism set forth in the bill, nothing in the Act shall limit or change the amount of support or means of distribution for the schools and libraries, rural health care, lifeline, link-up and toll limitation programs.

Makes changes to the rural health care support mechanism so that support for advanced telecommunications services is based on the difference between the cost of service in an urban area and the cost in a rural area, instead of the flat percentage rate discount under current law. Clarifies which entities are eligible for support under the rural health care support mechanism. Conforms the definition of "rural" for the rural health care support mechanism to the definition used by the Department of Agriculture's Rural Utility Service for broadband grants and loans and grandfathers any community that qualified as rural under the FCC's rules prior to December 2004.

**Section 5:** Clarifies the criteria communications service providers must meet to be eligible to receive universal service support by codifying certain criteria adopted by the FCC for eligible telecommunications carriers last year, including using their own facilities to make universal services available in a service area and responding to reasonable requests for service from persons located in the service area consistent with state carrier-of-last-resort requirements, advertising supported services and associated services throughout a service area, advertising the availability of lifeline and link-up services to reach those most likely to qualify for those services, remaining functional in emergency situations and satisfying consumer protection and service quality standards. Universal service fund recipients must meet these requirements within one year of the date of enactment to continue to receive universal service support.

Requires universal service fund recipients, within five years of the date of enactment, to be offering high speed broadband service with a download receiving rate of at least one megabit per second. This requirement may be waived by the FCC for renewable periods of three years for providers for whom offering such service would be technically infeasible or from an economic standpoint materially impair the ability of the carrier to offer local exchange service and would automatically be waived for providers that can demonstrate that their cost per line of deploying such service is at least three times the average cost among all universal service recipients.

Clarifies that nothing in the Act prevents any state from establishing a state universal service fund.

**Section 6:** Eliminates the “parent trap,” which provides that a carrier which acquires telephone exchanges from an unaffiliated carrier receives universal service support at the same level for which those exchanges were eligible prior to the transfer.

**Section 7:** Permanently exempts the universal service fund from the Anti-Deficiency Act to avoid the need to renew the exemption annually.

Allows the FCC to invest contributions to the universal service fund in liquid, interest-bearing, government-backed securities until they are disbursed.

**Section 8:** Prohibits the FCC from adopting a primary line restriction.

**Section 9:** Directs the FCC to report to Congress every three years concerning the availability of universal services to all Americans.